

WHAT IS A BUDGET?

A budget is a **spending plan** that you decide upon. It is based on how much you make (income) and what your monthly expenses are. By understanding your monthly income and expenses, you will be better able to manage your cash flow and determine how much debt, if any, you can assume.

HOW DO YOU FIGURE OUT A BUDGET?

You can use the following pointers and budget work-sheet to figure out your own monthly budget.

- ◆ *Start with your income.* Figure out your monthly take-home pay. That's the amount you bring home each month after taxes, etc. are withheld.
- ◆ *Prepare a list of your monthly fixed expenses.* Fixed expenses are the payments that you have to make each month, many of which are the same such as your rent or mortgage payment, utilities (take an average if not budgeted), and any credit payments you have.
- ◆ *List your monthly flexible expenses.* Your flexible expenses may vary from month to month, but you can control them more readily than you can your fixed expenses. In other words, you can decide whether and how much you will spend on them.

“Flexible expenses” include food, clothing, transportation, household expenses, and personal spending for entertainment, eating out, and other items that you have control over.

DECIDE HOW MUCH TO SAVE AND STICK TO IT

It is important to think of savings as a fixed expense so that you are sure to save a set amount each month.

Otherwise, it is easy to spend more on your flexible expenses and forget about savings.

Services are available through your employer and your bank to make it easier for you to save. These include payroll deductions, direct deposit of your paycheck, and automatic savings plans.

The budget worksheet will help you determine how much you can save.

CREATE A SPENDING PLAN

You should be sure to have some savings you can utilize in a financial emergency. But, you should create a spending plan that allows you to reduce your debts. If you have credit card balances, you should use your extra money to pay those balances off quicker. Withdrawing savings from low-interest accounts to settle high-rate loans will save you money in the long run. Extra money sitting in a savings account earning less than 5% could be better utilized by paying off credit card balances being imposed interest at 21%.

TRY TO REDUCE YOUR EXPENSES

Cut out any unnecessary spending such as eating out and purchasing expensive entertainment. Clip coupons, purchase generic products at the supermarket, and avoid impulse purchases. Above all, stop incurring new debt.

HOW TO DEAL WITH FINANCIAL EMERGENCIES

A sudden illness or the loss of your job may throw you off your budget and make it impossible for you to pay your bills on time. Whatever your situation, if you find that you cannot make your payments, contact your creditors at once. Try to work out a modified payment plan with your creditors that reduces your payments to a more manageable level. If you have paid promptly in the past, they may be willing to work with you. Do not wait until your account is turned over to a debt collector.

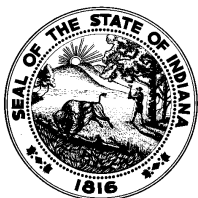
BUDGET WORKSHEET

<b>FIXED EXPENSES:</b>	
Rent/Mortgage.	\$
Credit payments	\$
Insurance.	\$
Medical	\$
Other	\$
<b>FLEXIBLE EXPENSES:</b>	
Food	\$
Clothing	\$
Transportation	\$
Household	\$
Personal	\$
Other	\$
<b>TOTAL EXPENSES</b>	\$
MONTHLY TAKE-HOME PAY	\$
<b>LESS TOTAL EXPENSES</b>	\$
<b>SAVINGS</b>	\$

The Indiana Department of Financial Institutions,  
Division of Consumer Credit has many other credit  
related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit Reporting and Scams  
Debt Collection Problems?  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
How to Cut the Costs of Credit  
Identity Theft  
Look Before you Lease  
Mortgage Loans  
Older Consumers  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Secured Credit Card Scams  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on the  
cover for a copy of any of the brochures listed or for  
further consumer credit information. You can also  
access information at our web site on the Internet:  
<http://www.dfi.state.in.us>, then click on Consumer  
Credit.



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